

Message Text

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ORIGIN EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 TRSY-02 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
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USEEC; MISSION ALSO FOR USMTN

E.O. 11652: N/A

TAGS: ETRD, GATT, CA

SUBJECT: ART. XIX CONSULTATIONS RE GOC FOOTWEARRESTRICTIONS

REF: TPSC 78-49

1. EMBASSY IS REQUESTED TO DELIVER DIPLOMATIC NOTE TO
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GOC PROPOSING SETTLEMENT OF ONGOING ARTICLE XIX CONSULTA-
TIONS RE FOOTWEAR QUOTAS THROUGH A COMBINATION OF EX-OUTS
ON FOOTWEAR ITEMS OF MAJOR U.S. SUPPLIER INTEREST AND GOC
AGREEMENT TO FOREGO ANY MEASURES TO RESTORE BALANCE OF
CONCESSIONS IN RESPONSE TO US SAFEGUARD ACTIONS ON SPECIAL-
TY STEEL. FYI: WE CONSIDER THIS TO BE OUR "BOTTOM LINE"
PROPOSAL. EX-OUTS WOULD GIVE ONLY PARTIAL RELIEF TO OUR

FOOTWEAR EXPORTERS. GOC COULD SETTLE REMAINDER OF FOOTWEAR COMPENSATION BILL CHEAPLY, AS SPECIALTY STEEL QUOTAS EXPIRE NEXT YEAR AND GOC UNLIKELY TO RETALIATE OR REQUEST COMPENSATION FOR US ACTION. IF THE CANADIANS CONTINUE TO BE RELUCTANT TO RESTORE THE BALANCE OF CONCESSIONS THROUGH THIS METHOD (OR SOME OTHER SATISFACTORY MEANS), WE WILL BE FORCED TO CONSIDER WITHDRAWAL OF CONCESSIONS OF EQUIVALENT VALUE. END FYI.

2. BEGIN TEXT: THE EMBASSY OF THE UNITED STATES PRESENTS ITS COMPLIMENTS TO THE GOVERNMENT OF CANADA AND HAS THE HONOR TO REFER TO THE RECENT SERIES OF CONSULTATIONS

BETWEEN OUR COUNTRIES REGARDING CANADA'S IMPOSITION OF FOOTWEAR QUOTAS UNDER THE TERMS OF ARTICLE XIX OF THE GATT.

3. THE UNITED STATES IS SYMPATHETIC TO THE PROBLEMS OF THE CANADIAN FOOTWEAR INDUSTRY AND RECOGNIZES THAT CANADA HAS ACTED WITHIN THE SCOPE OF ARTICLE XIX OF THE GATT IN IMPOSING QUOTAS ON FOOTWEAR IMPORTS. AS A PARTY HAVING A SUBSTANTIAL INTEREST AS AN EXPORTER OF THE PRODUCTS CONCERNED, THE UNITED STATES IS SEEKING RESTORATION OF THE BALANCE OF CONCESSIONS THROUGH CONSULTATIONS PROVIDED FOR IN ARTICLE XIX.

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4. WE ARE APPRECIATIVE OF THE GOVERNMENT OF CANADA'S EFFORTS DURING THE TWO ROUNDS OF CONSULTATIONS TO CLARIFY MANY OF OUR QUESTIONS REGARDING THE ADMINISTRATION AND PRODUCT COVERAGE OF THE QUOTA SYSTEM. HOWEVER, WE ARE CONCERNED THAT THE GOVERNMENT OF CANADA TO DATE HAS NOT OFFERED TO COMPENSATE THE US THROUGH CONCESSIONS OF EQUIVALENT VALUE. NOR HAS THE GOVERNMENT OF CANADA BEEN WILLING TO DELETE FROM QUOTA COVERAGE ITEMS OF MAJOR U.S. SUPPLIER INTEREST WHICH DO NOT APPEAR TO BE A SOURCE OF MAJOR DIFFICULTY TO THE CANADIAN FOOTWEAR INDUSTRY.

5. THE UNITED STATES WISHES TO RESTORE THE BALANCE OF CONCESSIONS BY LIBERALIZING TRADE. WE THEREFORE REPEAT OUR PROPOSAL THAT THE GOVERNMENT OF CANADA DELETE FROM QUOTA COVERAGE CERTAIN SPECIAL FOOTWEAR ITEMS OF MAJOR SUPPLIER INTEREST TO THE UNITED STATES. THESE FOOTWEAR ITEMS, IN WHICH THE UNITED STATES HOLDS A COMMANDING SHARE OF THE CANADIAN IMPORT MARKET, ARE PLASTIC INFANTS' SHOES (CITC 79179-42, 79179-44, 79179-46), COWBOY BOOTS (CITC 79891), BOWLING SHOES (CITC 79895-46 THROUGH 53), GOLF SHOES (CITC 79895-54 THROUGH 57), AND NURSES'SHOES (CITC NUMBER(S) UNKNOWN).

6. SINCE DELETION OF THESE ITEMS FROM QUOTA COVERAGE WOULD ONLY PARTIALLY RESTORE THE BALANCE OF CONCESSIONS, THE UNITED STATES PROPOSES THAT THE GOVERNMENT OF CANADA ALSO FOREGO ITS RESERVATION OF GATT RIGHTS REGARDING THE UNITED STATES' SAFEGUARD MEASURES ON SPECIALTY STEEL. THE RESTORATION OF THE BALANCE OF CONCESSIONS WOULD BE LIMITED TO THE THREE-YEAR VALIDITY PERIOD OF THE CANADIAN QUOTAS ON IMPORTED FOOTWEAR AND THE THREE-YEAR DURATION OF THE US QUOTAS ON SPECIALTY STEEL.

7. THE UNITED STATES LOOKS FORWARD TO RECEIVING THE GOVERNMENT OF CANADA'S RESPONSE TO THESE PROPOSALS DURING THE

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NEXT ROUND OF CONSULTATIONS SCHEDULED FOR MAY 11. IF THE PROPOSALS DO NOT PROVE ACCEPTABLE AND THE GOVERNMENT OF CANADA DOES NOT THEN PUT FORWARD A SATISFACTORY COUNTER-PROPOSAL, THE UNITED STATES WILL BE OBLIGED TO CONSIDER OTHER MEANS TO RESTORE THE BALANCE OF CONCESSIONS.

8. THE UNITED STATES WOULD ALSO BE PLEASED TO RECEIVE CANADIAN DATA REGARDING THE RECENT IMPACT OF THE FOOTWEAR QUOTAS BEFORE THE MAY 11 CONSULTATIONS. VANCE

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